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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Dan McAllister, Treasurer-Tax Collector:

We have performed the procedures enumerated below, which were agreed to by the San Diego County Treasurer-Tax Collector (County), solely to assist you with respect to the County's receipt of the Transient Occupancy Tax Returns from Fallbrook Country Inn (Inn) for the year ended December 31, 2008. The management of the Inn is responsible for the Transient Occupancy Tax Returns. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- 1) We verified, by recalculation, the mathematical accuracy of all quarterly Transient Occupancy Tax Returns for the year ended December 31, 2008.

Finding: The Transient Occupancy Tax Return covering January through March 2008 was erroneously calculated, thus transient occupancy tax was overpaid by \$10.38.

- 2) We agreed the tax rate used in calculating the Transient Occupancy Tax due to the County in the Returns to the tax rate stated in the County's Transient Occupancy Tax Ordinance No. 9889.

Finding: No exceptions were found as a result of applying the procedure.

- 3) We compared all 2008 rental revenues from the Transient Occupancy Tax Returns to the sum of the Inn's revenue summaries.

Finding: The Transient Occupancy Tax Return covering April through June 2008, erroneously over reported rental revenues by \$188.96 resulting in an overpayment of transient occupancy tax of \$15.12 (\$188.96*8%). The Transient Occupancy Tax Return covering July through September 2008, erroneously under reported rental revenues by \$213.37 resulting in an underpayment of transient occupancy tax of \$17.07 (\$213.37*8%).

- 4) We reconciled all bank deposits per the bank statements of the Inn to the reported monthly revenues per the Transient Occupancy Tax Returns in 2008. This procedure is not necessary if the Inn was audited by an independent CPA firm and received audited financial statements with an unqualified opinion.

Finding: No exceptions were found as a result of applying the procedure.

- 5) We reconciled the annual rental revenues from the monthly revenue summary to the Federal Income Tax return for 2008.

Finding: No exceptions were found as a result of applying the procedure.

- 6) We selected ten days and one guest for each day for the year ended December 31, 2008. For each of these days selected, we footed the daily guest room revenue reports and agreed the total to the monthly summary report. For each guest selected, we traced the data to the Daily Report or other comparable document. This procedure is not necessary if the Inn was audited by an independent CPA firm and received audited financial statements with an unqualified opinion.

Finding: No exceptions were found as a result of applying the procedure.

- 7) We selected ten exemptions claimed during the period and verified that they are within the criteria outlined by the County's Transient Occupancy Tax Ordinance.

Finding: We were unable to apply the procedure because the Inn does not maintain a report of the tax exempt revenues.

- 8) We compared the date that the quarterly reports and payments were filed by the Inn to the due date stated in the County's Transient Occupancy Tax Ordinance.

Finding: No exceptions were found as a result of applying the procedure.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion, on the accuracy of the Transient Occupancy Tax Returns. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Dan McAllister, Treasurer-Tax Collector and is not intended to be and should not be used by anyone other than that specified party.

Macias Jini & O'Connell LLP

Certified Public Accountants
San Diego, California

July 7, 2010